



Republican Policy Committee

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The Breaux Maintenance-of-Effort Amendment: "Price-Fixing" Welfare Reform

The Breaux maintenance-of-effort alternative is a revival of the company store mentality. Under the Breaux plan, states can never quite get ahead in the welfare spending game because the company store, headquartered in Washington, D.C., won't let them. Although the Breaux amendment doesn't entirely preserve the federal government's monopoly over our welfare system, it does preserve its exorbitant costs as well as its indifference to innovation and success.

The Dole Maintenance-of-Effort Language: On September 8, Senator Dole modified his amendment to H.R. 4 to include compromise language with respect to a state maintenance-of-effort provision. As modified, the Dole amendment would require states to maintain at least 75 percent of their FY94 spending on welfare, excluding Medicaid expenditures. Under the Dole compromise, the maintenance-of-effort requirement would be phased out after three years. *The Dole amendment would prevent states from irresponsibly slashing welfare spending, while allowing efficient states to save money on welfare and use these savings for other state priorities, like education reform, health care reform, and providing services to elderly citizens and people with disabilities.*

The Breaux Maintenance-of-Effort Alternative: Senator Breaux has introduced two maintenance-of-effort amendments. The first would require states to maintain 100 percent of their FY94 welfare spending for four years; the second would require a 90 percent maintenance of effort for four years.

The Breaux Mandate is a Bad Idea:

— The Breaux amendment would require state welfare spending to remain at 1994 levels, the year in which more people were receiving AFDC benefits than in any year in the program's 60-year history. The number of AFDC recipients decreased by 520,000 between May of 1994 and May of 1995.

- Forcing states to maintain current welfare expenditures defeats the purpose of the block grant. Replacing a federal entitlement with a block grant requires states to assume a greater financial risk if they fail to improve their welfare programs; the Breaux plan, in contrast, *would deny states any financial benefits if they do improve their welfare system.*
- The Breaux amendment would force states to continue to spend the same amount on welfare as they spent in FY94, **even if their welfare reform efforts reduced the number of people dependent on government handouts.** The Breaux amendment would prohibit states that save money on welfare from using the savings on better schools or to improve services to children with disabilities. States would be **required to spend this money only on welfare recipients.**
- Proponents of the Breaux amendment claim that their maintenance of effort mandate provides a necessary safety net for poor children. Yet their mandate is not based on a state's "per-child-in poverty" spending level; it merely requires a state to maintain its aggregate level of welfare spending regardless of how much each child actually receives. If, for whatever reason (e.g., population growth, economic downturn, poor state performance, etc.), a state's welfare caseload increases, the Breaux amendment **would do nothing to prevent a corresponding decrease in benefits per child.**
- The Breaux amendment would deny states, and the taxpayers in every state, any opportunity to reap the benefits of successful welfare reform. States that tax their residents heavily to finance the excessive costs of the current failed system will have to maintain their high rates of taxation, regardless of the success they may have in getting their welfare population off the rolls and into real jobs.

The Breaux amendment violates the spirit of the block grant. The block grant approach offers a powerful financial incentive to states to get their welfare-dependent residents into the workforce. If they succeed, they save money. The Breaux amendment takes this incentive away. It tells states: regardless of your success at getting your welfare population into real jobs, at reducing your welfare caseload, and at cutting your bureaucratic overhead, you must continue to devote the same amount of state funds to welfare — and not on education or other state priorities — just as you did when your welfare system was broken and spiraling out of control.

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